



IRAQ Status Report

U.S. DEPARTMENT OF STATE
Bureau of Near Eastern Affairs
Iraq Policy & Operations Group

A BIWEEKLY REVIEW OF DEVELOPMENTS IN IRAQ

UNCLASSIFIED

MARCH 17, 2011

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Iraqi Politics

Anti-Corruption Issues Gain in Prominence: Recent protests across Iraq, along with an earlier Federal Supreme Court ruling that raised questions regarding the independence of state agencies such as the Commission of Integrity (COI) and the Central Bank of Iraq (CBI), have raised the profile of corruption across the country's political landscape. The Government of Iraq has responded in a number of ways. Chief Justice Medhat has clarified the recent court ruling and affirmed the independence of agencies like the COI and CBI. In its February 21 session, the Council of Representatives (COR) completed the first reading of legislation to repeal a law prohibiting the arrest or prosecution of government officials without their cabinet minister's approval. Further, four senior Brigadier Generals within the Ministry of Interior and one Brigadier General within the Ministry of Defense have been arrested on charges of bribery and corruption.

The protests, and the earlier Supreme Court ruling on the independence of commissions, appear to have energized the COR to take a more active role in investigating corruption and holding the government to account. Should the COR successfully repeal the current law permitting ministers to shield their subordinates, it will be more difficult for politicians to thwart investigations of senior officials. (NEA-I-POL)

Economic Activity

Interruption of Iraq-Turkey Pipeline Had Minimal Impact: On March 8, the operation of the Iraq-Turkey Pipeline was interrupted due to bombing, but the pipeline was again fully operational by March 13. Sabotage of the Iraq-Turkey Pipeline has been infrequent for the past

several years. There was no interruption of exports from the pipeline because of sufficient quantities of crude oil in storage tanks waiting to be lifted at Ceyhan, Turkey. (NEA-I-ECON)

Congressional Activity

Assistant Secretary Feltman Testifies before House Foreign Affairs Subcommittee: Assistant Secretary of State Jeffrey Feltman testified before the House Foreign Affairs Middle East and South Asia Subcommittee on March 10 and defended the President's FY2012 \$8.85 billion budget request for the Bureau of Near Eastern Affairs. Underscoring the need for "a sovereign, stable, self-reliant Iraq," A/S Feltman highlighted transition efforts underway in the country and the United States' role in operating the "diplomatic platform that will enable us to advance U.S. interests in Iraq." These interests include "consolidation of Iraq's democratic transition, Iraq's reintegration into the global economy, and ensuring Iraq is not a safe-haven for terrorist groups." He emphasized the importance of building a foundation to allow for future engagement with Iraqis and opportunities to "work as an honest broker to reduce frictions and crises." While the Assistant Secretary acknowledged an increase in costs, he noted that "shifting responsibilities from soldiers to civilians actually saves taxpayers a great deal of money overall." A/S Feltman concluded his testimony by emphasizing that the budget is not only crucial for ensuring the safety of U.S. personnel in the region, but for the U.S. to maintain "the leadership role in the region that will be critical to securing our nation, today and for future generations." (NEA-I-IPOG; Testimony Transcript, U.S. House Committee on Foreign Affairs Official Website, March 10, <http://www.internationalrelations.house.gov/112/fel031011.pdf>)

U.S.-Iraqi Cooperation

First Commercial Court Established in Iraq: Iraq's Higher Judicial Council (HJC) established the country's first Commercial Court in November 2010. The Court has jurisdiction in all commercial disputes that involve at least one foreign party (a company incorporated outside of Iraq, regardless of whether or not the owner is Iraqi). The subject matter jurisdiction of the court includes, but is not limited to, trade, real estate, banking, insurance, trademarks and intellectual property, and transportation disputes. The geographic jurisdiction is currently limited to disputes arising in Baghdad province. The Court has already received over twenty cases and the HJC is already discussing the creation of additional Commercial Courts in other provinces.

The creation of a specialized Commercial Court is one component of the GOI's larger strategy to attract much-needed foreign investment and spur economic development. The Court was created to boost foreign investors' confidence in Iraq's business environment by providing a forum for foreign companies to resolve commercial disputes. The Commercial Law Development Program (CLDP) under the U.S. Department of Commerce has worked with the U.S. Embassy in Baghdad and Provincial Reconstruction Team – Baghdad to provide technical assistance to the Commercial Court's staff of judges, helping to fulfill U.S. commitments under our Strategic Framework Agreement with Iraq to encourage judicial cooperation and to help the GOI improve Iraq's investment environment. Under CLDP sponsorship, Chief Judge Amir al-Shammari travelled to France for specialized training on commercial law matters in November 2009, while

Second Judge Jabbar al-Janabi visited the United States in October 2010 to take part in a three-week judicial capacity-building program conducted by CLDP. (U.S. Department of State, Economic Assistance; U.S. Embassy Baghdad; U.S. Department of Commerce; NEA-I-IPOG)

Business Development Centers Build Entrepreneurs' Management Skills: The

USAID/*Tijara* Private Sector Development program has established eleven new small business development centers in addition to five established under a previous USAID-funded project that provide training in business management, budgeting, strategic planning, and other professional skills. More than 16,504 Iraqi entrepreneurs (27 percent were women) have taken advantage of their services. The centers have provided roughly 20 percent of their students with referrals to banks and microfinance institutions to obtain financing for their businesses. These small business development centers are located in Baghdad, Erbil, Hilla, Kirkuk, Kut, Najaf, Karbala, Numaniyah, Nasiriyah, Anbar, Basrah, Diyala, Samawa, Tikrit, Diwaniya, and Suleimaniya. (USAID)

Iraqi Youth Initiative: USAID has launched a Youth Initiative program to provide business and financial services to the underserved youth population of Iraq. Participants attend a five-day business training session, business plan consulting sessions, and then a Business Review Panel reviews their proposed business plan before presentation to a microfinance institution for start-up capital. This program is creating new businesses and new jobs among youth to bolster the future of Iraq's economy. Currently, there are Youth Entrepreneurship Resource Centers (YERCs) and Youth Entrepreneur Access to Finance (YEOF) programs in Baghdad, Erbil, Ramadi, Karbala, Najaf, Nasiriyah, Samawa, and Basrah. These centers are affiliated with local SBDCs and MFIs. (USAID)

Education in Iraq: A recent UNESCO report, "The Hidden Crisis: Armed Conflict and Education," claims that several Middle Eastern countries, including Iraq, are not likely to achieve their Millennium Development Goals (MDG) for education by the target year of 2015, given persistent insecurity and conflict. UNESCO cites former UN sanctions, poor security and a weak economic environment as hampering Iraq's ability to meet education and literacy goals, which include having all children complete a full course of primary schooling by 2015.

Education standards in Iraq are still clearly a work in progress and an intense effort is required by the Government of Iraq to fast track educational development after so many years of conflict and isolation. A higher education program initiated last year is beginning to show promise. The Iraqi Education Initiative Scholarship Program (IEI), conceptualized in 2009 by the Prime Minister's Office, has sent over 300 Iraqi students abroad for higher education so far and plans to award 1000 scholarships in 2011 for graduate studies in the U.S. and U.K. When initially envisioned, Prime Minister Maliki set the goal of sending 10,000 students per year to study abroad when the program is fully operational. The program is run, administered, and funded by the Government of Iraq, provides full scholarships to U.S. and British universities. Students from across the country are encouraged to apply and top students are selected based on a competitive application process. The number of students selected from each province reflects that province's percentage of the national population. Beyond exposing students to a broad view of issues and cultures, the program will equip students with the knowledge they need to come

back to Iraq and revitalize its education system, introduce innovative ideas to its business sector, and strengthen its democracy and system of governance.

The U.S. Agency for International Development (USAID), the U.S. Department of State, and their U.S. Government partners continue to work with these and other international counterparts to promote Iraq's Millennium Development Goals, adult literacy, and curriculum development, in addition to other initiatives aimed at enhancing education in Iraq. As part of this ongoing effort, Ann Stock, the Department of State's Assistant Secretary for Education and Cultural Affairs, will travel to Baghdad in March 2011 to participate in a Joint Coordinating Committee (JCC) on Education with Iraqi government officials. Regular JCCs are part of the Strategic Framework Agreement (SFA^{*}) that governs Iraqi-U.S. bilateral relations. Assistant Secretary Stock will also join Ambassador James Jeffrey to commemorate the 60th anniversary of the establishment of the Fulbright Program in Iraq, a significant milestone in the history of U.S.-Iraq educational exchange and cooperation. (NEA-I-IPOG; UN Inter-Agency Information and Analysis Unit (UN IAU), *Education in Iraq* Report, April 2010; IRIN, March 3, <http://www.irinnews.org/Report.aspx?ReportId=92091>)

Transition

The transition from military-led operations to civilian-led diplomatic engagement will include closing twelve provincial reconstruction teams (PRTs) across Iraq and the transition of others into consulates and embassy branch offices (EBOs). The Department of State (DOS) is coordinating closely with the Department of Defense (DoD) and Iraqi partners on the logistic and policy issues related to the closure of the PRTs, including synchronizing closure timelines with DoD's forward operating bases.

However, the closure of the PRTs does not mean that the U.S. is leaving these communities behind. Indeed, we are taking careful steps to ensure that we maintain and develop the important relationships American troops and civilians have built since the inception of the PRT program. Our PRT closure plan includes measures to preserve PRT contacts and information, lessons learned, and best practices from PRT programs.

To further strengthen our relationships in the provinces, the Department recently approved a plan to continue employing local Iraqi subject matter experts around the country to provide the Embassy, consulates and EBOs with enduring capabilities for provincial engagement following the final PRT closures later this year. (NEA-I-PRT)

^{*} Please see page six for background information on the SFA.

Provincial Highlights

Cultural Cooperation

Reopening of Babylon Museum

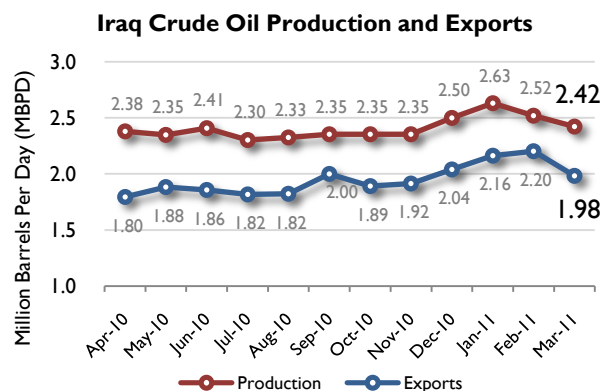
Under Section IV, Part 6 of the Strategic Framework Agreement, the U.S. and Iraq aim to: “Promote Iraqi efforts and contributions to international efforts to preserve Iraqi cultural heritage and protect archaeological antiquities, rehabilitate Iraqi museums, and assist Iraq in recovering and restoring its smuggled artifacts...”

PRT-Babil, alongside the 1st Squadron, 3rd Armored Cavalry Regiment, participated in the official reopening of the Babylon Museum on March 6 after years of restorative work. The restoration of museums and other cultural establishments has become a crucial piece of the rebuilding of Iraq, particularly because well-stocked and functioning museums are the cornerstone of a sustainable tourism industry. In addition, cultural reservoirs – museums, libraries, historic sites – help form a nation’s cohesive identity and common history, both of which protect against the splintering of society by factions, radicalism, or other extreme divisions. The completion of the Babylon Museum project reflects a growing partnership with the U.S. and Iraq to develop Iraq’s potential as a destination for academics and sightseers alike, ensuring that Iraqis have access to their own heritage and protecting against the further degradation these remnants of shared human history. As Dr. Rick Roberts, a staff member of PRT-Babil, noted, “The city of Babylon is a treasure not just for the people of Iraq, but the whole world.” (NEA-I-IPOG)

Current Economic Indicators

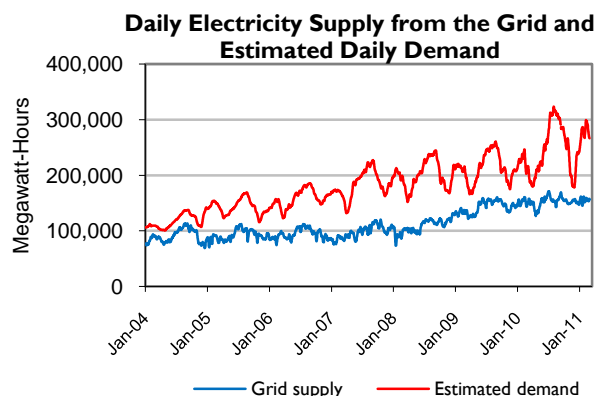
Crude Oil Average Closing Prices (February 28-March 11)

Basrah Light \$109.81/bbl || Dated Brent \$114.43/bbl || WTI Cushing \$102.39/bbl || Oman/Dubai \$109.42/bbl



2010 Oil Revenue: \$51.4 Billion (est)

2011 Oil Revenue: \$15 Billion (est)



February supply of electricity from the grid was 3% above 2010 and met 55% of estimated demand compared with 69% for the year-earlier period.

Source: Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Strategic Framework Agreement

The Strategic Framework Agreement (SFA) for a Relationship of Friendship and Cooperation between the United States of America and the Republic of Iraq governs Iraqi-U.S. bilateral relations based on the principle of equality in sovereignty and the rights and principles that are enshrined in the United Nations Charter. The SFA is divided into eight sections: Political and Diplomatic; Defense and Security; Cultural; Economic and Energy; Health and Environmental; Information Technology and Communications; and Law Enforcement and Judicial. Under the SFA, Iraqi and U.S. diplomats engage in Higher Coordinating Committee (HCC) and Joint Coordinating Committee (JCC) working groups in Baghdad to implement, execute, and oversee the Agreement. Interagency working groups also convene in Washington, DC for the same purpose. The SFA was signed into law on November 17, 2008 and entered into force on January 1, 2009. (NEA-I-IPOG; Full Text of the SFA is Available at: http://fhpo.osd.mil/intlhealth/pdfs/strategic_framework_agreement.pdf)

For additional information, please see:

- **Department of State, Iraq Status Reports**
<http://www.state.gov/p/nea/rls/rpt/c28010.htm>
- **Department of State, Section 1227 Report on Iraq**
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- **Department of Defense, Section 9010 Measuring Stability and Security in Iraq**
http://www.defenselink.mil/home/features/Iraq_Reports/index.html
- **Central Intelligence Agency, World Factbook**
<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>

Please forward all questions and/or comments to:
NEA-I-IPOG-DL@state.gov or call 202-663-1584

ISR Survey

- 1. For what purpose(s) do you or your company/institution use the ISR?**
- 2. What sections of the new ISR do you find most useful? Least useful?**
- 3. Is there any information that you would like to see in the ISR that is not currently included?**
- 4. What improvements and/or additions do you recommend?**
- 5. Please use the following space to express any open-ended comments that you may have including how this version of the ISR compares with the old version:**